Federal Student Aid Programs in the West: Funding and Distribution

WICHE
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Federal Student Aid Programs in the West: Funding and Distribution

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Western Interstate Commission for Higher Education WICHE

WICHE, the Western Interstate Commission for Higher Education, is a nonprofit regional organization. It helps the thirteen member states to work together to provide high-quality, cost-effective programs to meet the education and manpower needs of the West. Member states are Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, and Wyoming; North Dakota is an affiliated state. WICHE's Information Clearinghouse has established this Information Series to provide assistance to higher education and government policy makers in the West.

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FOREWORD

The national Administration's efforts to reduce the federal deficit include budget proposals to cut back substantially on student aid programs. The proposed changes raise philosophical and policy questions about the role of the federal government in assisting students, the relationship between access to education and student choice among different postsecondary institutions, and the effects of financial assistance on both consumers and providers of education.

Underlying the debate are some profound questions about who benefits from and who pays for higher education. If both society and the individual benefit from increased education, it is reasonable that the costs of that education be shared. Diminishing amounts of federal assistance in the face of rising educational costs result in larger shares to be met from individual, institutional, and state resources. With steadily rising tuition and fees, there is justifiable concern that the balance will tip too far against students, cutting off opportunities to acquire education as the amount and availability of financial assistance decline.

This report, which includes some heretofore unpublished data, presents historical information on the geographical and institutional distribution of federal student aid and suggests a number of critical issues to be considered by policy makers:

- Federal funding. What purposes does it serve and should it serve?
- The types of assistance provided. How do they compare?
- The availability of aid by sector. Are the neediest students being driven into shorter, nondegree programs?
- The distribution of aid. Are there inequities in state and regional distribution of aid in relation to enrollment patterns and sources of institutional support?

It is the mission of WICHE's Information Clearinghouse, which prepared this document, to help inform decision makers in higher education and government concerning some of the crucial policy decisions they are asked to make. The purpose is to inform and to assist, not to prescribe. It is in this spirit of assistance that we submit this brief but timely report.

May 1985

Phillip Sirotkin
Executive Director
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FEDERAL STUDENT AID PROGRAMS IN THE WEST: FUNDING AND DISTRIBUTION

Introduction

Federal student aid programs expanded rapidly during the 1970s. Expansion was followed by reexamination and contraction during the early 1980s, and more recently by additional scrutiny resulting from federal government efforts to control a growing national debt. While the funding trends have reversed and the pressures have clearly increased, the underlying challenge through both expansion and contraction has been to reconcile the philosophical commitments embodied in federal financial aid policies with the practical limitations and consequences of expanding access to higher education.

Rapid changes in federal programs provided little opportunity to examine the advantages and limitations of particular approaches to providing student financial assistance. Little research was done to document the overall consequences of federal financial aid on student enrollment decisions and, in turn, on different types of postsecondary programs, on institutions, and on the diverse postsecondary systems within different states. Many of the unanswered questions have far-reaching financial and distributive implications insofar as they affect the provision of resources supporting various educational programs and opportunities.

This brief report examines four areas in which student financial aid programs affect the distribution of resources within postsecondary education: (1) funding trends in the major federal student aid programs since 1970-71, (2) the distribution of total Pell Grant resources among sectors of postsecondary education and educational programs of different lengths, (3) the distribution of Pell Grant resources to students in different states in relation to those states' proportion of postsecondary enrollment and population, and (4) state-funded programs that work in conjunction with the federal programs to provide supplementary need-based student grants. In the last two areas, the report focuses on the fourteen states that are members or affiliates of the Western Interstate Commission for Higher Education (WICHE).

The data and perspectives presented in this report suggest a number of concerns of central importance to state postsecondary systems, including:

- the replacement of programs that provide benefits to specific groups of individuals with general need-based grants as the primary source of federal grant assistance;
- the growing dominance of federally subsidized loans as a proportion of the total federal commitment to student aid;
- the implications of level or reduced funding from the federal government, particularly on the states' commitments to student financial aid;

- shifts in the distribution of total Pell Grant support from students in public institutions to students in proprietary programs, and from four-year and two-year degree programs to shorter non-degree programs; and

- the growing disparity between total Pell Grant disbursements received by students in particular states and those states' proportions of total postsecondary enrollments and population.

Given the leading role of the states in the financing, coordination, and other policy areas of postsecondary education, concern for the state perspectives and state-level effects of federal programs is appropriate. Moreover, at a time when federal budget cuts appear imminent, when the Congress debates reauthorization of the entire federal Higher Education Act, and when the Administration proposes to transfer all student aid programs to the states within two years, such concerns are essential. While this report provides only a brief analysis, raising these concerns and suggesting the appropriateness of alternative perspectives may help to stimulate a more thorough examination of the complex issues involved in federal student financial aid policies.

Funding Trends in Major Federal Programs

From 1970-71 to 1984-85 student financial assistance provided under federal programs more than quadrupled, from approximately $3.3 billion to more than $14.1 billion.[1] During those fifteen years, both enrollments and costs in postsecondary education also increased significantly. Taking into account a 40 percent increase in total postsecondary enrollments and general price increases of nearly 150 percent, the amount of assistance per student (adjusted for inflation) approximately doubled.

This doubling in the level of federal student financial assistance occurred in conjunction with fundamental changes in the philosophies and purposes of federal programs. Basic Educational Opportunity Grants, initiated in the early 1970s and renamed Pell Grants in 1980, established a dominant federal role in expanding access to student aid. These direct grants are awarded on the basis of relative "need," calculated with formulas that relate family and student resources to the estimated cost of education. Expansion of this grant program, along with related changes in other federal programs, contributed to rapid and successive changes in support levels for all student assistance programs, as indicated in Table 1.

Federally funded need-based grants expanded rapidly from $134 million in 1970-71 (under the institutionally administered Supplemental Educational Opportunity Grant Program) to approximately $2.8 billion in 1980-81 (primarily under the Pell Grant Program). The biggest surge

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[1]Donald A. Gillespie and Nancy Carlson, Trends in Student Aid: 1963 to 1983 (New York: The College Board, 1983), Table A-1 and the Washington Office of The College Board, Trends in Student Aid: 1980 to 1984 (New York: The College Board, 1984), Table 1.

TABLE 1

FINANCIAL ASSISTANCE TO POSTSECONDARY STUDENTS FROM MAJOR FEDERAL AND STATE PROGRAMS, SELECTED ACADEMIC YEARS (Dollars in Millions)

	1970-71		1975-76		1980-81		1982-83		1984-85		Percent Increase 1980-81 to 1984-85
	Estimated Assistance	Percent of Total	Estimated Assistance	Percent of Total	Estimated Assistance	Percent of Total	Estimated Assistance	Percent of Total	Estimated Assistance	Percent of Total	
FEDERAL PROGRAMS											
General Need-Based Grants (Total)	$134	3.8%	$1,157	12.8%	$2,829	18.9%	$2,836	20.3%	$3,223	20.9%	13.9%
Pell Grants (BEOG)			936		2,387		2,420		2,773		
SEOG	134		201		366		343		374		
SSIG			20		76		73		76		
Directed Assistance (Total)	1,636	46.3	5,337	59.0	3,716	24.8	2,171	15.5	931	6.0	(74.9)
Social Security	499		1,093		1,883		733		35		
Veterans' Benefits	1,121		4,180		1,714		1,356		836		
Other Grants	16		64		119		82		60		
Subsidized Loans (Total)	1,297	36.7	1,772	19.6	6,960	46.5	7,361	52.6	9,330	60.6	34.1
NDSL	240		460		695		595		585		
GSL and PLUS	1,015		1,267		6,204		6,609		8,466		
Other	42		45		61		157		279		
College Work-Study	227	6.4	295	3.3	658	4.4	630	4.5	664	4.3	0.9
Total Federal Assistance	3,294		8,561		14,163		12,998		14,148		(0.1)
STATE-FUNDED GRANT PROGRAMS	236	6.7	490	5.4	801	5.3	1,006	7.2	1,257	8.2	56.9
Total Federal and State Assistance	3,530		9,051		14,964		14,004		15,405		2.9

Columns may not add due to rounding.

Sources: Donald A. Gillespie and Nancy Carlson, Trends in Student Aid: 1963 to 1983 (New York: The College Board, 1983), Table A-1, The Washington Office of the College Board, Trends in Student Aid: 1980 to 1984 (New York: The College Board, 1984), Table 1.

Acronyms: BEOG = Basic Educational Opportunity Grants (Renamed Pell Grants in 1980)
GSL = Guaranteed Student Loan
NDSL = National Direct Student Loan
PLUS = Parent Loans for Undergraduate Students
SEOG = Supplemental Educational Opportunity Grants
SSIG = State Student Incentive Grant

Notes: Complete descriptions of data sources and estimating procedures are provided in the publications cited above. State-funded programs include centrally-administered grant programs only. Some states also support work-study and loan programs. Institutionally-administered tuition waivers and assistantships are also excluded.

in funding for need-based grants occurred in the late 1970s as a result of the liberalization of the Pell Grant calculation formulas and the increase in appropriations in conjunction with the Middle Income Student Assistance Act of 1978. This surge, however, ended in 1980-81. Total Pell Grants provided to students did not increase significantly again until 1983-84.

The other two federal programs providing need-based assistance also expanded through 1980-81, but have been held to essentially level funding in subsequent years. Termination of both the campus-based Supplemental Educational Opportunity Grant program and the State Student Incentive Grant program (which provides states with a partial matching grant as an incentive to maintain their own need-based student grant programs) has been proposed several times since 1980 in conjunction with efforts to consolidate federal assistance programs.

The second major type of federal student assistance consists of educational and support payments directed to selected categories of individuals. As indicated in Table 1, total directed assistance increased rapidly through 1975-76 to $5.3 billion, 59 percent of total government-funded student aid. This was followed by a precipitous decline to $931 million, 6 percent of the total, in 1984-85. Educational benefits to certain dependents of Social Security recipients have been phased out, following a peak of nearly $2 billion dollars in 1981. Veterans' educational benefits peaked in the mid-1970s. The aging of Vietnam-era veterans and the restructuring of military recruitment and compensation practices decreased total veterans' educational benefits from about $4.2 billion in 1975-76 to $836 million in 1984-85. Clearly, these categorical student assistance programs are much less important fiscally and philosophically than a decade ago.

In contrast, federally subsidized student loans have become much more important as a source of immediate financial assistance and as a component of overall student aid programs. Assistance through federally subsidized student loans (primarily under the Guaranteed Student Loan Program) increased over 400 percent since the mid-1970s. Student loans, which accounted for 19.6 percent of total federal and state student assistance in 1975-76, increased to over 60 percent of the total by 1984-85. Capital for Guaranteed Student Loans is secured from financial institutions and private capital markets, with in-school interest deferrals, interest subsidies, and default costs paid primarily by the federal government. Federal appropriations to cover the costs of pre-existing loans and the $8.5 billion in new Guaranteed Student Loans were approximately $3 billion in 1985.

Two characteristics of federal student assistance during the past decade are illustrated in Table 1. First, total assistance provided under federal programs was approximately the same in 1984-85 as in 1980-81, following more than a $1 billion (8.2 percent) decrease during the intervening years. Second, in maintaining this base of support, the types of assistance have changed substantially. General need-based grants expanded through 1980-81, and have been a relatively constant proportion of total assistance in subsequent years. Categorical grants have become a much less important source. Guaranteed Student Loans have become the dominant source of student assistance.

In comparison with these federal program characteristics, total assistance provided through state-administered grant programs has grown steadily since 1970-71. As indicated in Table 1, grants through these state programs increased from $236 million in 1970-71 to nearly $1.3 billion in 1984-85, including a 56.9 percent increase since 1980-81. This total does not include state work-study programs (such as in Colorado) or separate state loan programs (such as in Alaska and New Mexico). In addition, many states play a leading role in facilitating and administering the federal guaranteed loans. This state-level fiscal and administrative support has become increasingly important in overall student financial assistance.

Distribution Patterns Within the Pell Grant Program

Although the Guaranteed Student Loan program provides a greater proportion of total student financial aid, the Pell Grant program remains the principal vehicle for providing a base of educational assistance to lower and lower-middle income students. Loans are neither uniformly available nor uniformly used, resulting in a greater relative dependency upon federal grants by lower income students. State and institutional financial aid programs take anticipated Pell Grants into account in calculating other components of individual student financial aid packages. In the aggregate, the resources provided to students through Pell Grants permit many institutions to maintain more diverse student bodies through admissions practices and enrollment patterns that are less dependent upon students' own financial resources.

Pell Grants are awarded to students on the basis of uniform need-analysis systems that take into account student and family resources and, within certain limitations, the varying costs of education in different institutions. These need-analysis systems, in combination with the overall funding levels, determine the distribution of Pell Grant recipients among institutions, sectors of postsecondary education, and states. National patterns in Pell Grant disbursements by sector and length of educational program are shown in Table 2. The selected years demonstrate a number of changes in the distribution of grants that have occurred since the program was established.

The percentage of total Pell Grant disbursements received by students in all public institutions decreased from 67.5 percent of the total in 1974-75 to 56.8 percent in 1983-84. Disbursements to four-year public institution students decreased from 43.6 percent of the total in 1977-78 to 38.3 percent in 1983-84. The largest decreases took place among two-year public institution students, where Pell Grant disbursements dropped from 26.5 percent to 18.0 percent of the total. This decrease of nearly one-third in the share of total disbursements occurred during a period when community college enrollments expanded rapidly, increasing to nearly 40 percent of total enrollments reported by Pell Grant-eligible institutions.

The percentage of total disbursements received by students in private, nonprofit institutions increased through 1980-81, reflecting the temporary changes and higher funding levels accompanying the Middle Income Student Assistance Act of 1978. By 1983-84,

TABLE 2

PELL GRANT (BEOG) DISBURSEMENTS BY SECTOR AND LENGTH OF THE PROGRAM*

	1974-75		1977-78		1980-81		1983-84	
	Dollars in Millions	Percent of Total	Dollars in Millions	Percent of Total	Dollars in Millions	Percent of Total	Dollars in Millions	Percent of Total
Public Institutions	$235.9	67.5%	$993.2	66.3%	$1,418.3	60.1%	$1,574.7	56.8%
Four-Year	142.1	40.7	652.6	43.6	980.5	41.6	1,063.0	38.3
Two-Year	92.4	26.5	336.3	22.5	426.2	18.1	499.6	18.0
Less than Two-Year	1.4	0.4	4.3	0.3	11.6	0.5	12.1	0.4
Private, Nonprofit Institutions	86.1	24.6	373.3	24.9	670.3	28.4	671.9	24.2
Four-Year	74.9	21.4	338.3	22.6	608.3	25.8	601.1	21.7
Two-Year	11.0	3.1	33.9	2.3	56.6	2.4	54.6	2.0
Less than Two-Year	0.2	0.1	1.1	0.1	5.4	0.2	16.2	0.6
Private, For-Profit Institutions	27.6	7.9	130.8	8.8	270.3	11.5	526.0	18.9
Four-Year	1.1	0.3	6.3	0.4	10.5	0.4	22.8	0.8
Two-Year	8.7	2.5	44.2	3.0	81.2	3.4	164.0	5.9
Less than Two-Year	17.8	5.1	80.3	5.4	178.6	7.6	339.2	12.2
All Institutions	349.4	100.0	1,497.2	100.0	2,358.9	100.0	2,772.6	100.0
Four-Year	218.0	62.4	997.2	66.6	1,599.3	67.8	1,686.9	60.8
Two-Year	112.1	32.1	414.3	27.7	564.0	23.9	718.2	25.9
Less than Two-Year	19.3	5.5	85.7	5.7	195.6	8.3	367.5	13.3

Columns may not add due to rounding.

Source: Unpublished disbursement data from the U.S. Department of Education, Pell Grant Division. Data are for the Regular Disbursement System (RDS) only, and exclude a small proportion of Pell Grants awarded through the Alternate Disbursement System (ADS).

* Basic Educational Opportunity Grants (BEOG) were renamed Pell Grants in 1980.

however, the proportion of nonprofit institution Pell Grant disbursements decreased from 28.4 percent to 24.2 percent of the total, slightly below the percentage of 1974-75.

The percentage of disbursements to students in for-profit (proprietary) institutions increased steadily from 7.9 percent of the total ($27.6 million) in 1974-75 to 18.9 percent ($526 million) in 1983-84. In contrast to the public and nonprofit sectors, in the proprietary sector the Pell Grants are concentrated at institutions with less than two-year programs. In 1983-84, proprietary students in programs from six months to two years in length received 12.2 percent of total disbursements, an increase from 5.1 percent in 1974-75. Most of these students were in programs of less than one year.

In all sectors combined, the most significant shifts occurred in the proportions of Pell Grants received by students in two-year programs and in less than two-year programs. In 1974-75, 32.1 percent of disbursements were received by students in programs at least two years in length but less than four years in length. By 1983-84 this proportion had dropped to 25.9 percent. Programs of this length comprise approximately 42 percent of the total enrollments reported by Pell Grant-eligible institutions.

In contrast, Pell Grant disbursements to students enrolled in less than two-year programs (primarily six months to one year in duration) increased from 5.5 percent of the total in 1974-75 to 13.3 percent in 1983-84. Although enrollments in shorter length programs have expanded in recent years, the share of total postsecondary enrollments in these programs remains comparatively small. In 1983-84, programs of less than two years comprised less than 5 percent of total postsecondary enrollments reported on the Pell Grant disbursement records.[2]

Shifts in the proportion of Pell Grants received by students in less than two-year programs reflect the increased popularity of vocational training and changes in the demographic characteristics of postsecondary enrollments. At the same time, these shifts are also related to the availability of financial aid. The disbursement records indicate that 65.7 percent of reported enrollments in less than two-year programs received Pell Grants in 1983-84 compared to 18.4 percent in two-year programs and 25.0 percent in four-year programs. Presumably, many individual enrollment decisions are directly affected by the availability of financial assistance, particularly in the form of direct grants to students. Institutional capabilities to attract and maintain enrollments are also directly affected by the relative availability of federal student aid.

Pell Grant records indicate significant shifts in the relative availability of federal aid in recent years. The number of Pell Grant recipients as a proportion of total enrollments

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[2]Enrollment data for short-term programs must be interpreted with caution because of differences in reporting procedures and definitions of full-time and part-time students. In particular, enrollments reported on Pell Grant disbursement records may be undercounted for programs with more compressed academic schedules or where the normal cycle is less than one year in length.

increased in all sectors and types of programs through the 1970s. Since 1980, however, this proportion has decreased among students in public and private nonprofit institutions and in all two-year and four-year programs. Specifically, between 1980-81 and 1983-84 the proportion of reported enrollments receiving Pell Grants decreased by 10.9 percent in public four-year institutions, by 8.4 percent in public two-year institutions, and by 14.7 percent in private nonprofit institutions (predominantly four-year). In contrast, the proportion of reported proprietary institution enrollments receiving Pell Grants increased by 23.6 percent between 1980-81 and 1983-84 and more than doubled since 1977-78.[3] According to Pell Grant disbursement records for 1983-84, students in programs of less than two years in length were more than twice as likely to receive a federal grant as students in two-year or four-year programs. These changes indicate that student choices among higher education programs have become increasingly limited, and that the most needy students apparently have turned in larger numbers to short-duration, vocationally oriented programs.

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[3]According to a recent survey, the proportion of proprietary students receiving financial aid (primarily Pell Grants) in 1981-82 varied from 38 percent to 57 percent depending upon the type of program. See Wellford W. Wilms, "Expanded Access to Job Training Through Federal Student Aid: A National Study of Proprietary Vocational Schools and Students," The Journal of Student Financial Aid, Vol. 14. No. 2 (Spring 1984), pp. 17-31.

State Distribution Patterns

In addition to variations in individual financial resources, the distribution of Pell Grant disbursemerts among states reflects the extent of postsecondary enrollment in the state, the proportion of public sector and private sector enrollments, and differences in the average level of wealth or income among the states. Because of these variables, the distribution of Pell Grants among students in different states in many cases diverges substantially from a state's share of total U.S. enrollments or population.

Table 3 shows the value of Pell Grants received by students in the fourteen WICHE states in relation to enrollments and population during 1977-78, 1980-81, and 1983-84. The WICHE states' share of Pell Grant disbursements decreased from 15.6 percent of the total in 1977-78 to 14.8 percent in 1983-84. A major reason for this decrease was the comparatively slow rate of increase in disbursements to students in California. The increase to California students was 57.7 percent ($123.9 million to $195.4 million); for the nation as a whole the increase was 85.2 percent. The rate of increase for the WICHE states combined was nearly 12 percent lower than for the nation as a whole. The most likely explanations for these disparities are the comparatively high per capita income levels in California and several other WICHE states and the predominance of public institutions with their relatively lower costs for students.

In 1983-84, Pell Grant disbursements to students in WICHE states were 14.8 percent of

TABLE 3

PELL GRANT (BEOG) DISBURSEMENTS IN THE WICHE STATES

	1977-78				1980-81				1983-84			
	Pell Grant Disbursements ($1000)	Percent Total Disbursements	Percent Reported Enrollment	Percent Total Population	Pell Grant Disbursements ($1000)	Percent Total Disbursements	Percent Reported Enrollment	Percent Total Population	Pell Grant Disbursements ($1000)	Percent Total Disbursements	Percent Reported Enrollment	Percent Total Population
National Total	1,497,238.2	100.0	100.0	100.00	2,358,883.0	100.00	100.00	100.00	2,772,421.7	100.00	100.00	100.00
WICHE States	232,249.7	15.55	26.05	18.59	330,866.6	14.03	26.10	19.47	409,296.1	14.76	24.90	19.68
Alaska	575.1	0.04	0.14	0.18	1,301.8	0.06	0.22	0.18	1,243.4	0.04	0.17	0.18
Arizona	18,239.0	1.22	1.72	1.10	27,152.9	1.15	1.83	1.21	38,009.5	1.37	1.65	1.24
California	123,939.4	8.28	16.08	10.15	160,623.6	6.81	15.79	10.52	195,373.3	7.05	15.02	10.53
Colorado	16,054.5	1.07	1.38	1.22	25,740.0	1.09	1.49	1.28	28,747.2	1.04	1.47	1.32
Hawaii	3,023.9	0.20	0.38	0.42	4,140.1	0.18	0.37	0.43	4,689.8	0.17	0.39	0.44
Idaho	3,769.2	0.25	0.30	0.40	6,565.4	0.28	0.33	0.42	8,334.5	0.30	0.27	0.43
Montana	4,681.4	0.31	0.32	0.35	8,127.6	0.34	0.35	0.37	10,315.7	0.37	0.33	0.35
Nevada	1,996.1	0.13	0.28	0.31	3,022.7	0.13	0.30	0.36	4,081.8	0.15	0.30	0.37
New Mexico	11,942.6	0.80	0.50	0.56	15,900.7	0.67	0.47	0.58	15,097.5	0.54	0.49	0.59
North Dakota	5,385.0	0.36	0.29	0.29	9,318.6	0.40	0.28	0.29	13,164.1	0.47	0.30	0.29
Oregon	16,247.5	1.09	1.60	1.11	26,128.6	1.11	1.59	1.17	34,093.7	1.23	1.50	1.16
Utah	5,755.3	0.38	0.51	0.60	9,865.4	0.42	0.55	0.65	14,106.2	0.51	0.59	0.68
Washington	19,058.2	1.27	2.37	1.71	30,486.9	1.29	2.40	1.84	38,489.7	1.38	2.23	1.87
Wyoming	1,582.4	0.11	0.17	0.19	2,492.3	0.11	0.16	0.21	3,349.6	0.12	0.18	0.22

Source: Unpublished data from the U.S. Department of Education. Includes grants through the Regular Disbursement System only.

Notes: Percent of enrollment calculations based on full-time and part-time enrollments reported by institutions on Institutional Payment Summaries. Population calculations based on U.S. Census data and estimates. Total for WICHE states includes a small number of disbursements excluded from individual state totals in order to improve comparability to national total.

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national disbursements, far below the 24.9 percent of reported enrollment at institutions in those states, and substantially below the region's 19.7 percent share of total population. The consequences of these disparities in terms of the resources available to students in this region are substantial. For example, if the WICHE states as a region had received Pell Grant disbursements equal to their combined percentage of total reported postsecondary enrollments, the resources available to students in the region would have been approximately $280 million more than actually received in 1983-84.

Among the WICHE states, it appears that students in states with relatively high per capita income (for example, Alaska and California) or relatively low public tuition levels (such as Hawaii), or some combination of these characteristics, are at a particular disadvantage in receiving Pell Grants. Overall, the percentage of Pell Grant disbursements exceeds the percentage of total enrollments for only four of the WICHE states during any of the years shown--Idaho, Montana, New Mexico, and North Dakota. In all other cases, the proportion of Pell Grant disbursements was less--in most cases significantly less--than the proportion of total enrollments in the state. Similarly, in only five cases did the percentage of Pell Grant disbursements exceed the state's share of total population--Arizona, Montana, New Mexico, North Dakota, and (for 1983-84 only) Oregon.

Table 4 combines some of the distributive issues from the previous two tables, showing Pell Grant disbursements in the WICHE states by sector and length of program. Compared to the nation as a whole, WICHE states had a higher proportion of disbursements to students in public four-year institutions (except in California and Washington), and a higher proportion in public two-year institutions (except in Idaho, Montana, and New Mexico).

Pell Grant disbursements to private nonprofit institution students have been consistently low in the WICHE states--10.8 percent compared to 24.3 percent nationally in 1983-84--reflecting the predominance of public institutions in the West. In contrast, WICHE states have a high proportion of Pell Grant disbursements to students in for-profit institutions, particularly those with less than two-year programs. The proportion of total disbursements received by proprietary students in less than two-year programs during 1983-84 was 23.4 percent in Arizona, 28.9 percent in California, and 25.2 percent in Nevada. Nationally the proportion was 12.2 percent.

State Student Grant Programs

In addition to the federal Pell Grant Program, state-funded programs provide another major source for grants based on student need. The level of state support for these programs varies significantly, with the nine largest state programs providing 71 percent of the total grants.[4] Among WICHE states, only California is

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[4] National Association of State Scholarship and Grant Programs, 16th Annual Survey Report (Harrisburg, PA: Pennsylvania Higher Education Assistance Agency, 1985), p. 5.

TABLE 4

1983-84 PELL GRANT DISBURSEMENTS BY STATE AND SECTOR

	1983-84 Pell Grant Disbursements (dollars in thousands)	Percent Received by Students at: Public Four-Year Institutions	Public Institutions Less Than Four-Year	Nonprofit Private Four-Year	Nonprofit Private Less Than Four-Year	For-Profit Four-Year and Two-Year	For-Profit Less Than Two-Year
National Total	$2,772,421.7	38.3%	18.4%	21.7%	2.6%	6.7%	12.2%
WICHE States*	409,296.1	41.4	23.8	9.9	0.9	3.9	20.0
Alaska	1,243.4	50.0	29.1	15.7	0	0	5.3
Arizona	38,009.5	30.9	28.5	2.7	0.4	14.1	23.4
California	195,373.3	31.9	22.9	11.1	0.3	3.4	28.9
Colorado	28,747.2	52.6	18.7	6.6	0.3	9.1	12.9
Hawaii	4,689.8	43.3	18.5	26.1	0	0	12.1
Idaho	8,334.5	74.0	17.5	8.1	0	0	0.4
Montana	10,315.7	74.9	13.3	8.8	2.1	0	0.9
Nevada	4,081.8	50.6	19.8	1.3	0	3.1	25.2
New Mexico	15,097.5	70.0	13.4	8.4	0	0.3	7.9
North Dakota	13,164.1	61.5	19.2	10.2	4.7	3.2	1.3
Oregon	34,093.7	46.6	31.2	12.1	0.5	0.3	9.4
Utah	14,106.2	63.2	25.4	2.0	0	4.3	5.2
Washington	38,489.7	34.6	32.2	14.4	5.1	0	13.8
Wyoming	3,349.6	47.3	40.7	0	0	0	12.0

Source: Unpublished data from the U.S. Department of Education. Includes grants through Regular Disbursement System Only.

Notes: Columns reflect the fact that the major division within the public and private nonprofit sectors is between four-year degree institutions and less-than-four-year institutions (primarily two-year degree institutions). In the for-profit (proprietary) sector the major division is between institutions with degree or certificate programs that are two years or longer and those with less than two-year programs. To be eligible for Pell Grants the programs normally must be at least six months in duration.

* Includes small number of Pell Grants excluded from individual state totals.

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in this large program group, although Colorado and Oregon also support substantial student grant programs.

The state grant programs are directly related to federal student grant programs in two respects. First, state programs typically use the Pell Grants to provide the base of support to lower income students. State efforts are built around this base, targeting additional financial assistance in order to increase access, to provide students greater choice among different types of institutions, and to enhance individual educational opportunities. Second, the State Student Incentive Grant (SSIG) program provides an incentive in the form of federal support to states for supplementary need-based student grant programs. Federal SSIG funds are allocated to states in proportion to postsecondary enrollments. States must at a minimum match this allocation in order to qualify for federal funds.

Table 5 shows student grants awarded through state-administered programs in the WICHE states during 1984-85. Of the $152.3 million in grants, more than two-thirds were provided by the California program. Undergraduate need-based grants (those most closely related to federal Pell Grants) totaled $138.8 million in the WICHE states. Of the fourteen states, seven rely on the federal SSIG support for 50 percent of the program funding. Without this matching grant in these states, support for the supplementary grant programs could be severely curtailed. This federal program appears to play an important role in encouraging states to establish and maintain these programs.

TABLE 5

STUDENT GRANTS AWARDED THROUGH STATE-FUNDED PROGRAMS, 1984-85

(Dollars in Thousands)

	Total Grants	Need-Based Grants	Federal SSIG Funds as Percent of Need-Based Grants
National Total	$1,411,402	$1,217,150	6.2%
WICHE States	152,292	138,849	14.0
Alaska	2,075	241	50.0
Arizona	2,586	2,586	50.0
California	104,467	104,467	11.2
Colorado	17,314	9,494	10.9
Hawaii	493	493	50.0
Idaho	636	509	50.0
Montana	400	400	50.0
Nevada	414	414	50.0
New Mexico	1,025	1,025	37.6
North Dakota	840	713	28.5
Oregon	10,786	9,366	10.4
Utah	3,445	1,805	31.3
Washington	7,571	7,096	24.3
Wyoming	240	240	50.0

* 1983-84 data

Source: National Association of State Scholarship and Grant Programs, 16th Annual Survey Report (Harrisburg, PA: Pennsylvania Higher Education Assistance Agency, 1985), Tables 1 and 12.

Notes: Total grants include need-based and non-need-based grants to undergraduate and graduate students. Also included are special grant and tuition waiver programs funded by the states. State-supported work-study programs (such as in Colorado) or separate state student loan programs (such as in Alaska) are not included. States must at a minimum provide equal matching support in order to qualify for an allocation of federal State Student Incentive Grant (SSIG) funds.

OBSERVATIONS AND QUESTIONS FOR THE FUTURE

The four-fold increase in student financial assistance provided through federal programs between 1970-71 and 1984-85 translates roughly into a doubling of aid per student when adjusted for enrollment increases and inflation. During this doubling of the federal commitment, many changes occurred both in the types of federal programs and in the fiscal and administrative resources committed to fulfilling program objectives. In examining some of these changes, this report identifies a number of concerns and distribution patterns that have a direct bearing on institutions and state systems of higher education.

Funding Levels and Program Changes

The rapid expansion of federal student aid programs that occurred during the 1970s halted during the 1980s. Assistance provided to students from federal programs in 1984-85 was approximately the same as in 1980-81, following a substantial decrease in the intervening years. During both the expansion and the stabilization periods, significant changes also occurred in the types of programs and financial assistance provided.

The sharp increases in educational benefits to certain categories of individuals (primarily dependents of Social Security recipients and military veterans) that occurred through the mid-1970s became even sharper decreases by the late 1970s. These directed assistance programs dropped from 46.3 percent of total federal student assistance in 1970-71 to 6.0 percent in 1984-85, reflecting more than a 40 percent decrease in funding (without taking cost increases into account).

For many individual students, institutions, and state postsecondary systems, this retrenchment in directed assistance programs resulted in increased reliance on general need-based grant programs, the type of assistance to which the federal government became committed with the establishment of the Pell Grant (Basic Educational Opportunity Grant) Program in the early 1970s. Federal support for need-based grants expanded rapidly through 1980, followed by a period of lower funding and program modifications. This reevaluation of the federal fiscal and philosophical commitments to general need-based grants occurred simultaneously with the retrenchment of directed assistance programs. Still largely unexamined are the effects of this on individual enrollment and career decisions, on institutional and program enrollment patterns, and on the ability of federal and state financial aid programs to fulfill their stated objectives.

A number of policy questions are raised by the changes in federal financial aid programs:

- Are need-based grants more effective in enhancing educational access and opportunity than support targeted to particular categories of individuals?

- At what point do need-based grants become ineffective, either because they are too widely available or because the amount of support to individuals is insufficient to meet their needs or to affect individual enrollment decisions?

- Are need-based grants the most effective way to reduce barriers to postsecondary education for the most disadvantaged groups and individuals in society, and do such grants result in the most appropriate educational choices?

- What criteria in addition to individual financial "need" should the federal and state governments consider in providing assistance to students? For example, should more support be made available to attract students to the sciences as part of long-term commitments to research and economic development efforts? Should student assistance be used as a way to enhance the attractiveness of certain occupations, such as teaching, as part of efforts to improve the quality of professionals in these fields? Should student financial aid be used to achieve equal employment opportunity objectives in specific fields?

Student Borrowing

In conjunction with the transition and modification in grant programs, there has been a sharp increase in the reliance on student borrowing to finance postsecondary education. Federal Guaranteed Student Loans, the largest source of debt financing, have increased more than eight-fold since 1970. Subsidized and guaranteed loans now comprise 66 percent of the assistance provided under federal student aid programs, an increase from less than 20 percent during the mid-1970s.

This expansion of student borrowing has a number of potential effects on both students and institutions:

- Are individuals inhibited from pursuing their education by the need to secure large loans in order to meet the costs of postsecondary education?

- Despite the growth in overall student borrowing, are loans uniformly available to low-income groups and at all types of institutions?

- Are those students who do borrow becoming so overextended that they cannot meet repayment schedules along with normal living expenses after graduation?

- How are individual educational and career choices affected by the prospect of having to repay large student loans?

- How do these factors affect enrollment patterns and the types of educational programs provided by institutions or private organizations?

Along with these effects on individuals and institutions, the expansion of student borrowing creates uncertainty over the federal commitments to student financial aid. Has the federal government itself become overextended in providing student loans, particularly when high interest rates push up the costs of these programs? Will the current and future federal obligations to service the expanding student debt impinge upon the fiscal and political support for other types of federal student assistance? Such questions raise an underlying problem: How to expand access and opportunity in higher education in a manner that is affordable and workable over the long term.

State Roles

The expansion of state roles in providing all types of student assistance is underway in most states. Support by states for student grant programs increased nearly 57 percent since 1980-81, in many states reflecting efforts to offset some of the federal cutbacks. Many smaller states, however, still rely on the federal SSIG funds for a large percentage of program support. States are also playing leading roles in establishing work-study programs and in administering loan programs.

As a result of the expansion of federal programs during the 1970s and the significant changes since 1980, states are confronted with a number of questions:

- Should state financial aid programs be further expanded to help compensate for the recent limitations and modifications in federal programs?

- Are state program expansions affordable, and would they be the best way to increase educational opportunities within a particular state?

- Should state programs be patterned on federal programs, or would other means be more effective?

Sector and Program Distribution

Changes have also occurred in the distribution of Pell Grant disbursements among sectors and types of programs. Nationally, the percentage of total Pell Grant disbursements to students in public four-year and public two-year institutions has dropped significantly since the mid-1970s. In contrast, the proportion of disbursements to students in short-term programs (primarily, less than one-year programs at proprietary institutions) has more than doubled. Although to some extent these changes reflect underlying enrollment trends, a number of concerns are raised that need to be examined at the institutional, state, and federal levels:

- Are Pell Grant shifts consistent with actual enrollment patterns?

- Should enrollment shifts be encouraged through access to disproportionately larger shares of federal student aid?

- Do the federal and state governments need to play more prominent roles in determining whether students in short-term, non-degree proprietary programs are receiving the most appropriate education and job-training, given the expansion of financial aid to these students?

- What, if anything, should public and nonprofit private institutions do in order to make their programs more attractive, both to provide better educational and career opportunities and to provide comparable educational financing?

State-Federal Coordination

To a certain extent, the most prominent roles of states in providing higher education opportunities (namely, through low public tuition and geographical proximity) are at odds with the operation of some of the major federal programs. Low tuition resulting from high state educational subsidies translates into lower federal grants for students, other things being equal. Similarly, the geographical dispersion of public institutions in order to expand physical access results in the lower federal grants because of limitations in the grant formulas affecting commuter students and institutions without student housing facilities. Differences among states in financial resources as reflected in per capita personal income also affect the size of federal grants, without taking into account accompanying differences in the general cost of living. These disadvantages are built into the Pell Grant program and affect other federal programs as well.

The distribution of Pell Grant disbursements to students in different states and sectors of postsecondary education illustrate these effects. Students in the WICHE states, where public institutions have an exceptionally high proportion of postsecondary enrollments and tuition levels tend to be lower, received less than 15 percent of total Pell Grant disbursements in 1983-84. In contrast, these states had nearly 25 percent of reported enrollments in Pell Grant-eligible institutions and nearly 20 percent of the U.S. population. Furthermore, these disparities have increased since the late 1970s.

The growing disproportionality between the distribution of Pell Grant resources and the distribution of enrollments and population raises several issues:

- To what extent do variations among states or regions with respect to financial resources and average educational costs result in the redistribution of financial aid resources?

- Are these redistributive effects magnified when program funding is more constrained?

- Is it appropriate that higher levels of state funding for postsecondary education that result in lower tuition costs to students also result in a disproportionately low share of federal program

funding? Or, should federal funding be directly related to postsecondary enrollments in the state, and to the level and types of state support for increasing educational opportunities?

Given the funding constraints, program changes, and resource shifts that have occurred in federal student assistance during the past decade, questions and concerns such as these require renewed attention. While the effects of such changes fall first and foremost on individual students, the consequences are no less real at the institutional and state levels. Further constraints on federal funding, or major modifications in the structure and administration of the federal programs, will make these concerns increasingly important.